



THE LOCKWOOD COMPANIES

August 30, 2007

Ms. Mary Levine
Acting Director of Legal Affairs
Michigan State Housing Development Authority
735 E. Michigan Ave.
Lansing MI 48909

Re: Draft Qualified Allocation Plan

Dear Ms. Levine:

As a builder/developer of affordable housing in Michigan, we are deeply concerned by the draft Qualified Allocation Plan (QAP) released by the Michigan State Housing Development Authority (MSHDA). Since 1989, our company has built 6,428 units of affordable housing using the low-income housing tax credit program. We have always taken great pride in our mission and in our ability to partner with MSHDA to meet the housing needs of Michigan's low-income households.

We believe, however, the 2008-2009 draft QAP does not conform to the intent of both Michigan law regarding the establishment of MSHDA and Section 42 of the federal Internal Revenue Code. The State Act has fifteen (15) separate references to *low and moderate income* families and their housing and three (3) references to *elderly or disabled* people and their housing needs. Nowhere in the legislation is there a single reference to *homeless people or supportive services*. It was, and still is, clearly the intent of the legislature that MSHDA engage in providing housing for families of low or moderate incomes and certain elderly or disabled people. The draft QAP ignores the law and attempts to put MSHDA into the position of solving social problems, not housing shortages.

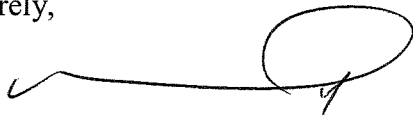
Furthermore, on a federal level, the IRS has recently released the 8823 Guide which deals with compliance on Section 42 LIHTC projects. IRS representative and 8823 Guide author, Grace Robertson, spoke at the recent conference of the National Council for State Housing Agencies and said "Any time a family is denied housing in a tax credit unit other than for income or student ineligibility, there is a potential violation of this rule---", referring to the General Public Use interpretation of the code. She did also point out the specific exclusions to the rule including transitional housing under the McKinney Act, single room occupancy developments and elderly housing.

In addition, the State Act makes direct reference to the rehabilitation of housing five (5) times. The draft QAP apparently ignores that intent by not allocating any resources to rehabilitation and preservation of affordable housing, despite the fact Section 42 of the IRC specifically encourages acquisition and rehabilitation of housing using Low Income Housing Tax Credits.

Finally and perhaps most important, Section (5) of the Act states "It is further determined that there is a statewide pressing need for programs to alleviate and prevent conditions of unemployment in the housing industry, to preserve existing jobs and create new jobs to meet the employment demands of population growth, to promote the development of construction related business enterprises, to revitalize and diversify the Michigan economy in general, and to achieve the goals of economic growth and full employment." These words were from 1966, 41 years ago. If they were written today I suspect the language would be the same except the reference to "population growth" would possibly be omitted. Substituted in its place would be language referring to the huge loss of owned homes through the foreclosure process (Michigan is either #1 or #2 in this area, depending on who you reference), and the need for these displaced people to find rental housing. Is this group less worthy than the homeless? Are they the future homeless?

MSHDA needs to do three things: One - immediately schedule an application round for October using the project scoring criteria included in the current plan. Two - hold the public lottery the next day and then immediately start processing and awarding reservations for projects in the order drawn until the queue is filled, and do so as quickly as possible. Only in this way will the development community have an opportunity to get in the ground and start construction before the construction season ends in 2007. Three - revise the QAP for Spring of 2008 to become an economic generator for Michigan's economy. Estimates show \$400,000,000 of economic activity is generated by allocating each LIHTC round under the present QAP and our internal calculations show an additional \$100,000,000 of private direct investment could be generated by relaxing the deep rent-skewing of the current plan.

Sincerely,

A handwritten signature in black ink, consisting of a long horizontal stroke followed by a large, stylized loop.

Rodney M. Lockwood, Jr.

CC: Honorable Jennifer M. Granholm
Bernie Glieberman, Chairman, MSHDA Board